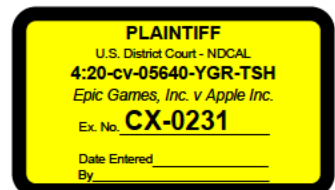


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		Application	
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		Production Vol.	APL-EG_084
Email From			
Email To			
Email CC			
Email BCC			
DateSent			





Existing Programs and Exceptions

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Business Model topics and milestones

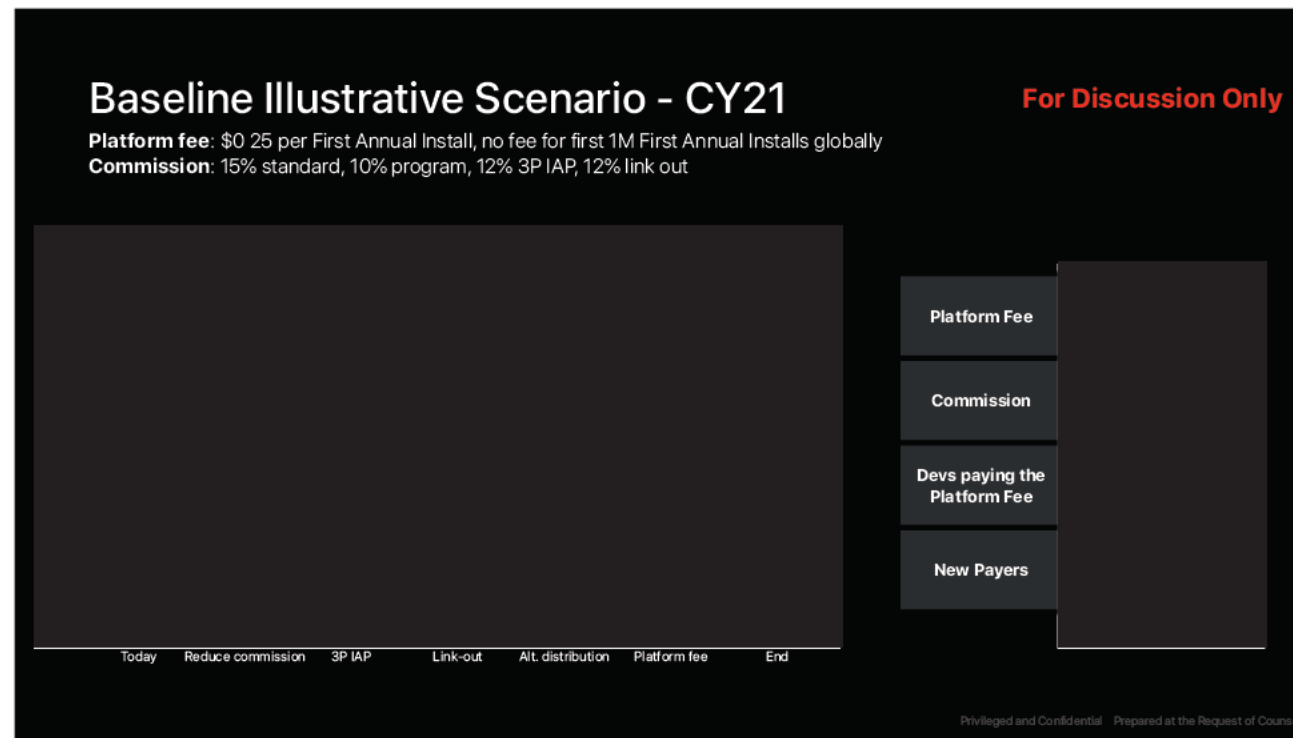
Key topics and milestones	Status	VP Review	Phil Review	Outcome
Links out from Apple-distributed apps	Complete	10/18	10/27	Same commission as alternate in-app payments
Platform Fee Metric Definition	Complete	11/28	11/30	First Annual Download metric for iOS and clips on storefront basis
Thresholds Variation and Commission	Complete	11/17	11/30	Storefront specific thresholds and discount
Platform Fee Comparables	Complete	12/9	12/15	Additional diligence underway for a comeback to Phil in January
Existing Programs & Exceptions	Upcoming	12/21	12/22	TBD
Platform Fee Comparables (part 2)	Upcoming	W/o 1/9	1/12	TBD
Fraud, Risk, and Privacy Mitigations (ADP Installs Follow up)	Upcoming	W/o 1/16	1/26	TBD
Developer-Facing Reporting	Upcoming	TBD	TBD	TBD
Financial Operations	Upcoming	TBD	TBD	TBD

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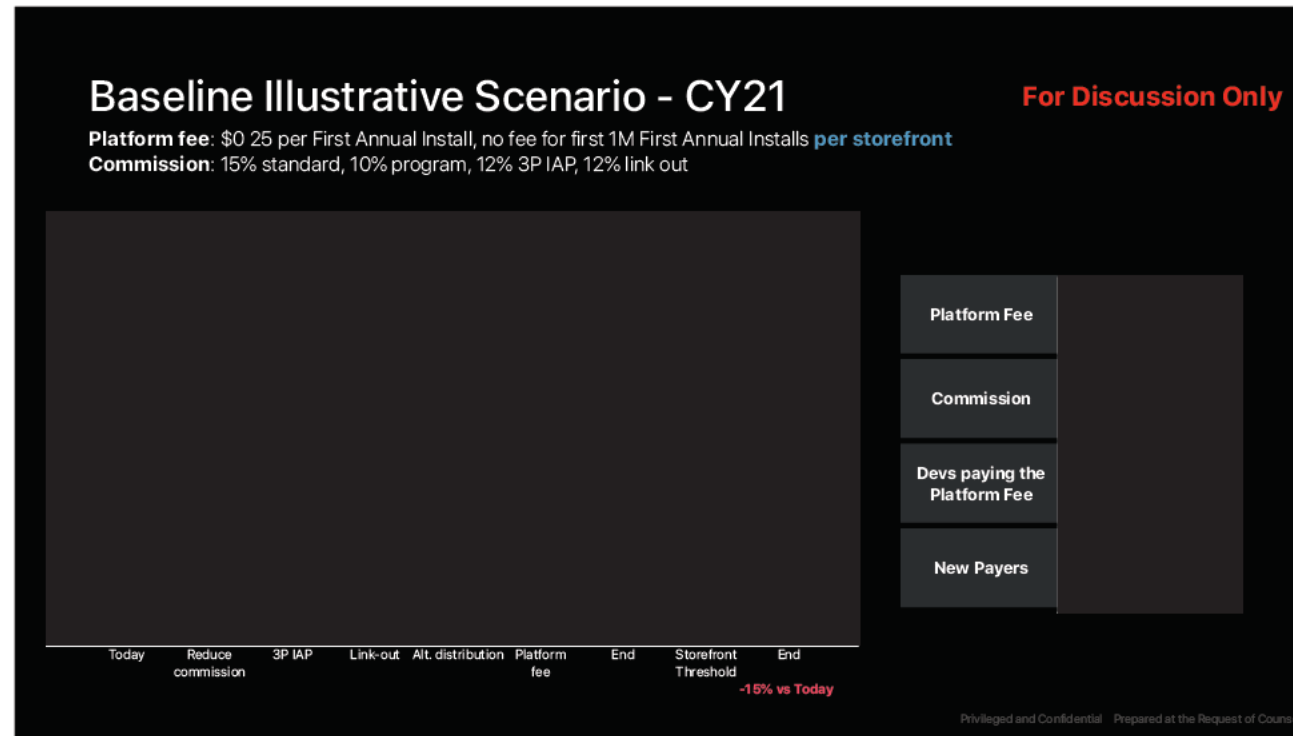
Other DMA-related topics and milestones

Key topics and milestones	Status	VP Review	Phil Review	Outcome
3P Operator Model	Upcoming	W/o 1/9	1/19	TBD
Engagement Data	Upcoming	TBD	TBD	TBD

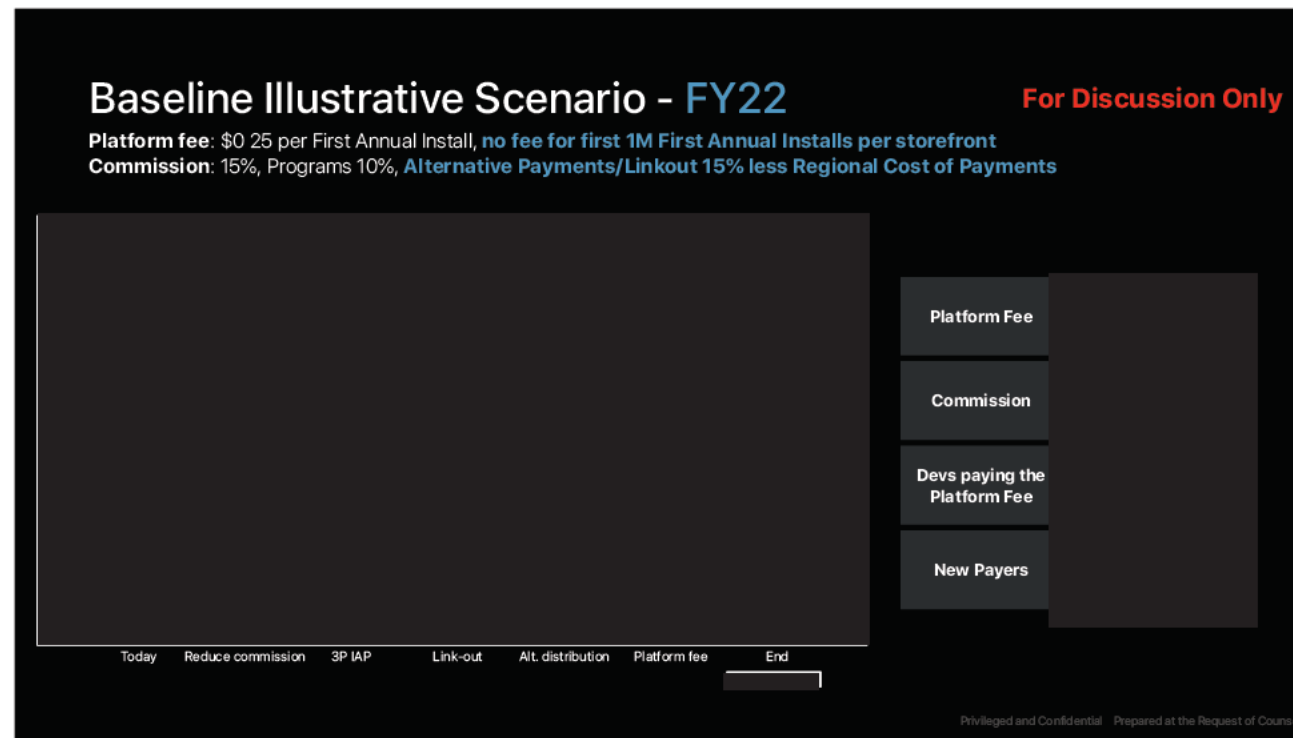
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Before we jump into the main topic we have to cover, we wanted to quickly level set on some changes to the modeling approaches we have been using. As you will recall, we have been working off of CY21 data until now, and the Platform fee earnings have been determined looking at global threshold amounts. This is the output from those assumptions. In the next couple of slides we will show how this view changes with 1) The change to storefront level fee free thresholds and 2) the change over to FY22 data and

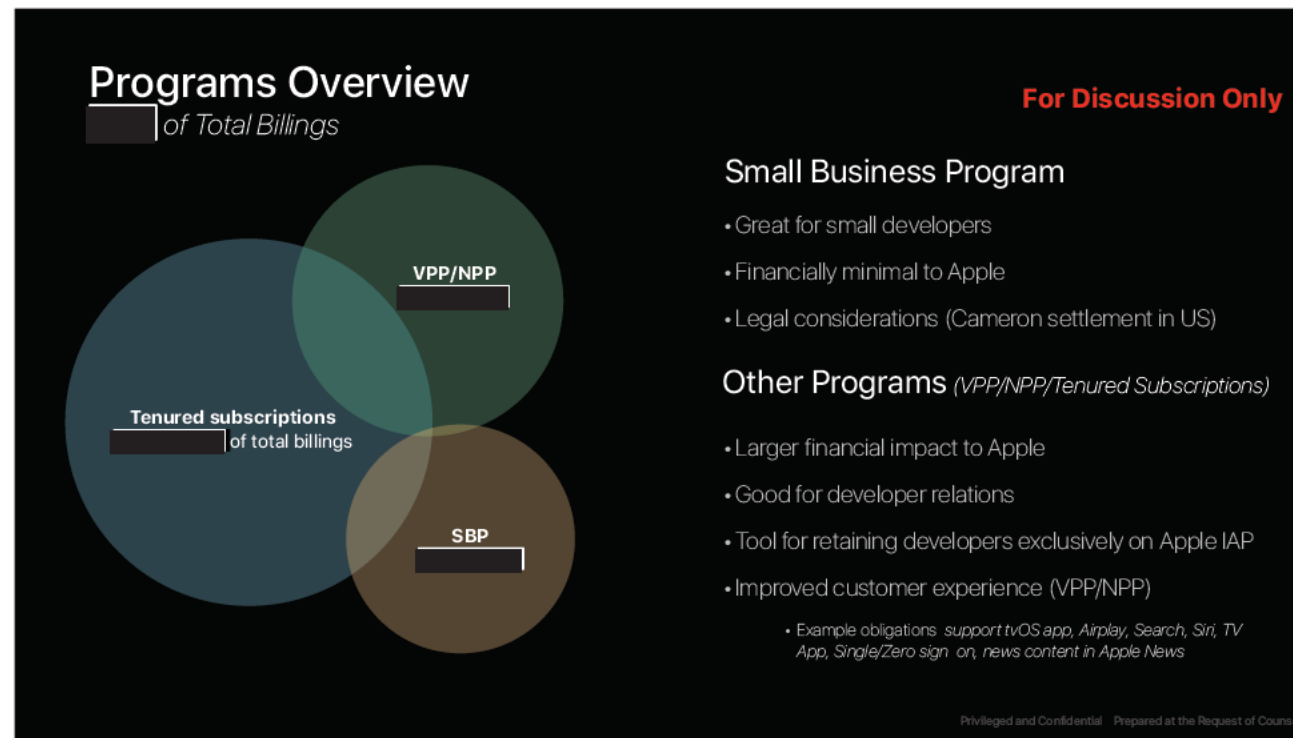


As you can see here, when we move to storefront level fee free thresholds, we see a loss in platform fee earnings of about [REDACTED] versus previously), but we see fewer developers paying platform fees and fewer new payers overall, as discussed before.



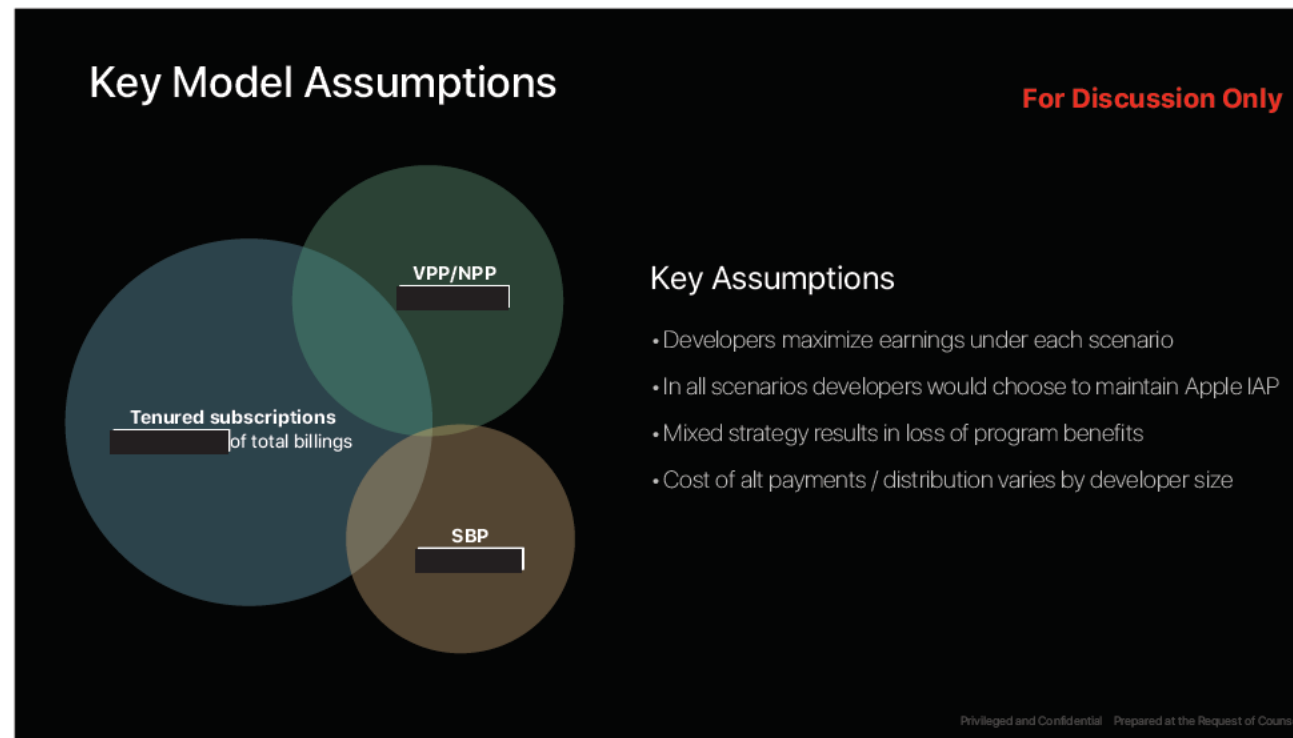
Before we jump into the main topic, we wanted to quickly level set on changes to the modeling approaches we have been using. As you will recall, we have been working off of CY21 data until now, and the Platform fee earnings have been determined looking at global threshold amounts. Here we are showing how this view changes with the move to storefront level fee free thresholds, the change over to FY22 data, and the move from a flat global discount on commission for alt payments/distribution to regional discounts that vary based on the cost of payments in that market. This is not a recommendation of a specific scenario, just an illustration of the impacts of the new model changes on Apple's revenue in FY22.

Overall we see a revenue reduction of [REDACTED] (this is more or less in line with the [REDACTED] that we noted when making the platform fee change on CY21 data). We've now completed the cutover to FY22 data and all of our analyses from this point forward will be against the FY22 baseline....

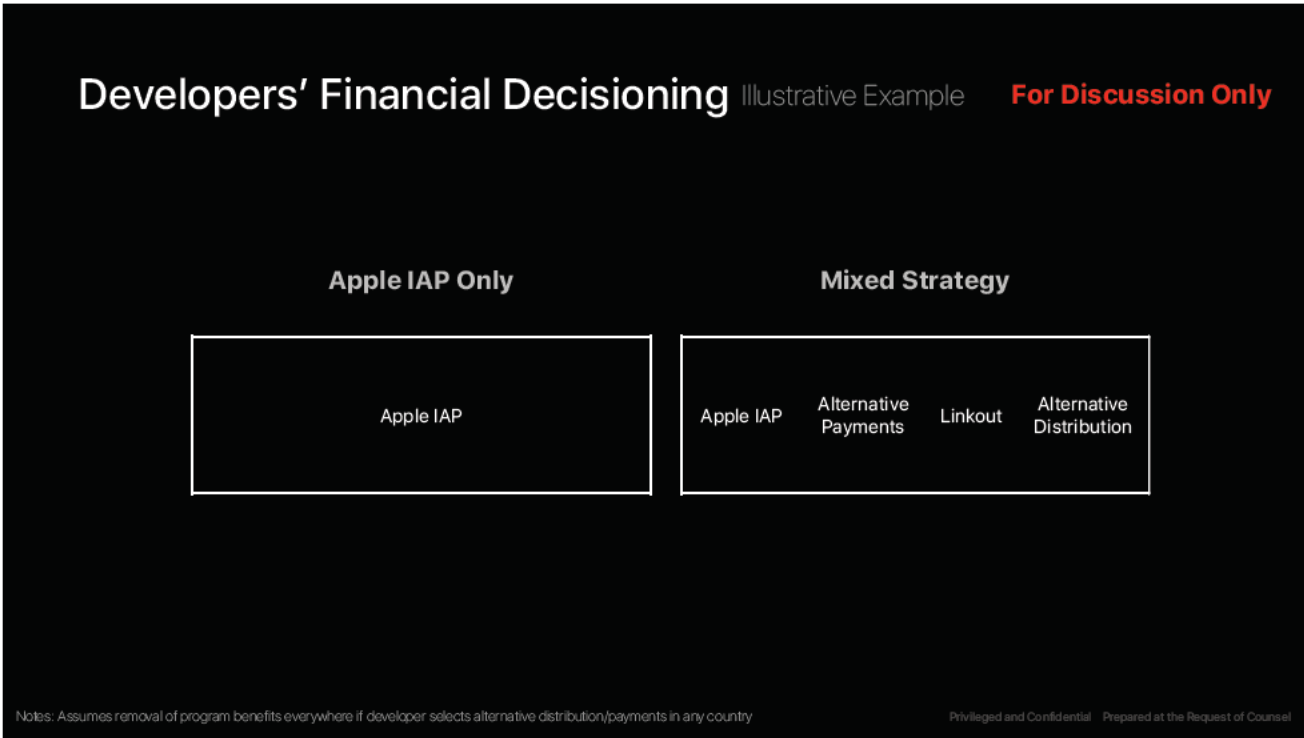


Next, we wanted to spend time today looking at our current programs structures on the app store and discussing the implications of holding these programs or altering them under a new business model. Starting with the Small business program. This program is great for new and small developers, is the smallest billings contributor of all programs [redacted] and also has some legal restraints that would make altering the program infeasible (at least in the US for the next 3 years due to the Cameron settlement). So given this, our recommendation would be to maintain this program going forward.

The rest of our analysis will focus on the VPP, NPP, and Tenured subscription programs. These are much larger financially to apple and cover some of our largest developers. Again, we believe these programs are a great mode for creating good developer relations and also can serve as a tool for retaining developers exclusively on Apple IAP. We should also note that the VPP and NPP programs specifically result in better customer experiences as the partners are required to provide support across the apple ecosystem. We will run through the puts and takes associated with either maintaining or removing these programs in the rest of the presentation.....



Before jumping onto the numbers, we wanted to walk through a few background assumptions for the model and analysis. First, we assume that all developers will act in a way that maximizes their earnings. In all scenarios, we also assume developers will maintain some portion of their business through Apple IAP, even if they pursue other avenues as well. We assume that if developers diversify their strategy (i.e. offer alternative payments or distribution) they will lose their program benefits globally. There are also assumptions around the external costs that developers would face when offering these alternative channels, and they vary by the developer size and region



As will be speaking at length about developer decisioning and how programs can influence this, we want to quickly run through an overview of the options that developers will have in front of them under the new business model. Developers can choose to stay the course and continue to conduct all business through Apple IAP only (in which case they will maintain any relevant partner program benefits) or they can choose to employ a mixed strategy, wherein they pursue some variety of the following options: alternative payments, linkout, and alternative distribution. In any case, we expect developers to continue also leveraging Apple IAP as an option for customers.

Developers' Financial Decisioning					
Illustrative Example			For Discussion Only		
	Apple IAP Only		Mixed Strategy		
	Apple IAP		Apple IAP	Alternative Payments	Linkout
			Alternative Payments	Linkout	Alternative Distribution
	Program	Standard	Standard	Standard	Standard
Billings Mix					
Apple Commission					
3P Payment Cost					
3P Support					
Total Cost					
Blended Cost					

Notes: Assumes removal of program benefits everywhere if developer selects alternative distribution/payments in any country

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Next we want to give an illustrative example of *how* a developer decides whether to stay exclusively using apple IAP (and qualify for program discounts) or to pursue a mixed strategy, and thereby lose eligibility for program discounts.

The overall key factor to the developer is the blended cost associated with the strategy they pursue, as we have assumed developers will attempt to maximize earnings. If a developer remains entirely on Apple IAP, the developer's blended cost decreases the more billings they have falling under programs. In a mixed strategy, the developer's blended costs decreases as they push more business into alternative distribution. In this example, a developer with a [REDACTED] programs billings split would need to believe they can drive more than [REDACTED] of billings through alternate distribution to adopt a mixed strategy over their current program benefits. As we will see next, this logic changes if a developer has a higher programs mix.....

Developers' Financial Decisioning

Illustrative Example

For Discussion Only

	Apple IAP Only		Mixed Strategy			
Billings Mix	Apple IAP		Apple IAP	Alternative Payments	Linkout	Alternative Distribution
	Program	Standard	Standard	Standard	Standard	Standard
	40%	60%	42%	42%	0%	17%
	10%	15%	15%	13%	13%	0%
				2%	2%	2%
					3%	3%
	10%	15%	15%	15%	17%	4%
Total Cost	4.0%	9.0%	6.2%	6.1%	0.0%	0.7%
Blended Cost		13.0%				13.0%

Notes: Assumes removal of program benefits everywhere if developer selects alternative distribution/payments in any country

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Next we want to give an illustrative example of *how* a developer decides whether to stay exclusively using apple IAP (and qualify for program discounts) or to pursue a mixed strategy, and thereby lose eligibility for program discounts.

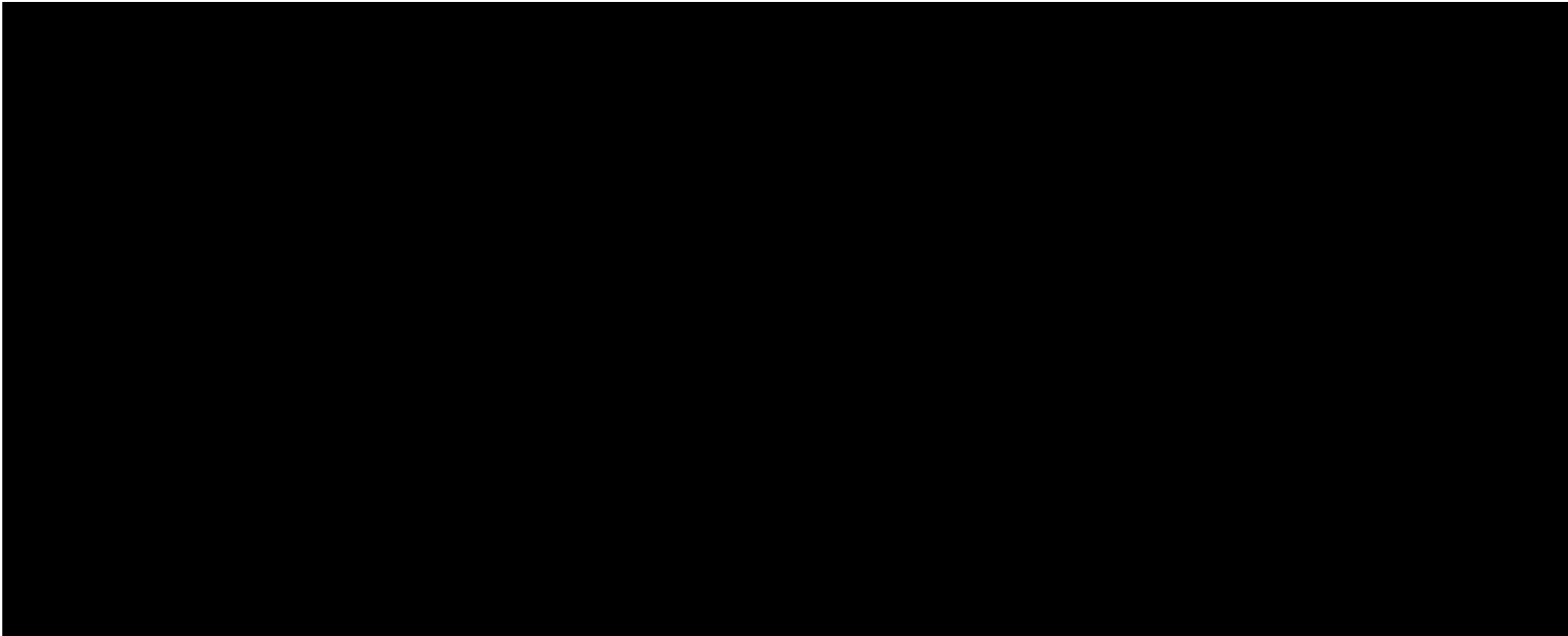
The overall key factor to the developer is the blended cost associated with the strategy they pursue, as we have assumed developers will attempt to maximize earnings. If a developer remains entirely on Apple IAP, the developer's blended cost decreases the more billings they have falling under programs. In a mixed strategy, the developer's blended costs decreases as they push more business into alternative distribution. In this example, a developer with a 40/60 programs billings split would need to believe they can drive more than 17% of billings through alternate distribution to adopt a mixed strategy over their current program benefits. As we will see next, this logic changes if a developer has a higher programs mix.....

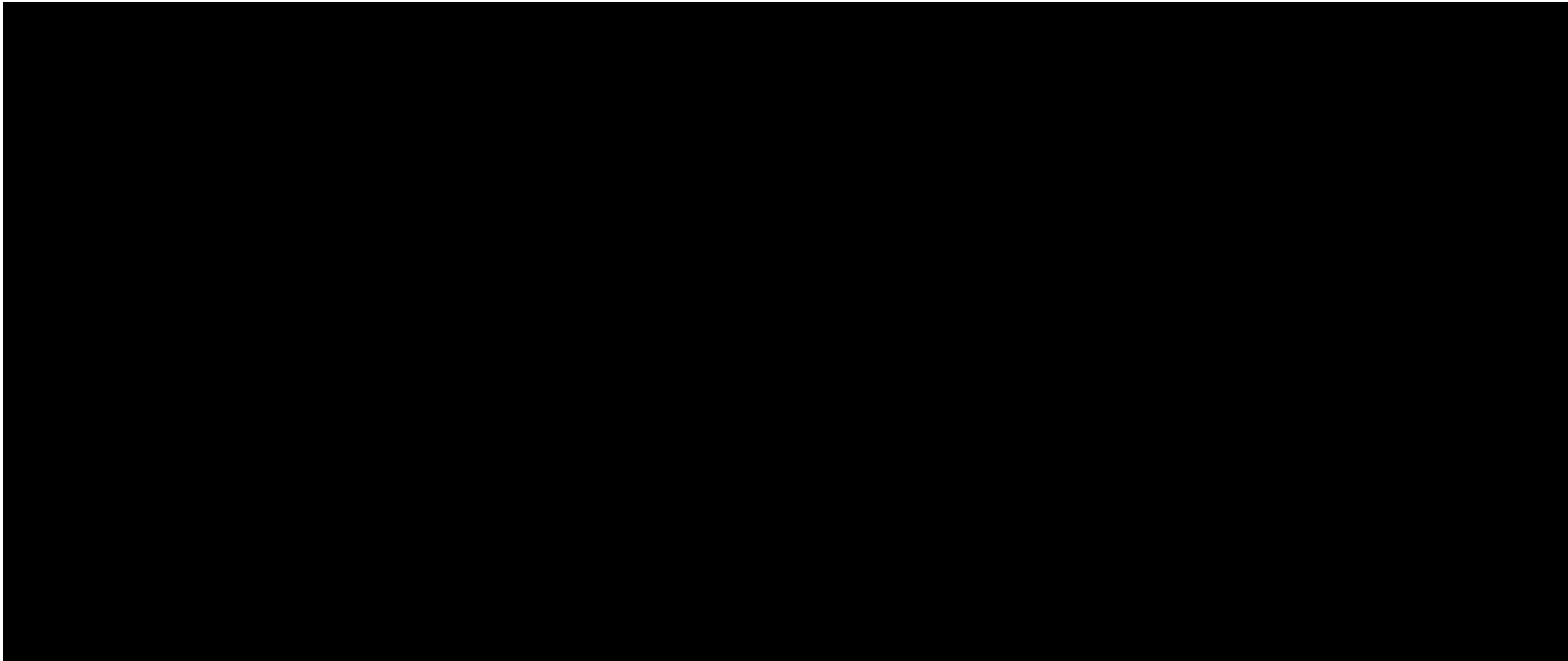
Developers' Financial Decisioning Illustrative Example For Discussion Only					
	Apple IAP Only		Mixed Strategy		
	Apple IAP		Apple IAP	Alternative Payments	Linkout Alternative Distribution
	Program	Standard	Standard	Standard	Standard
Billings Mix					
Apple Commission					
3P Payment Cost					
3P Support					
Total Cost					
Blended Cost					

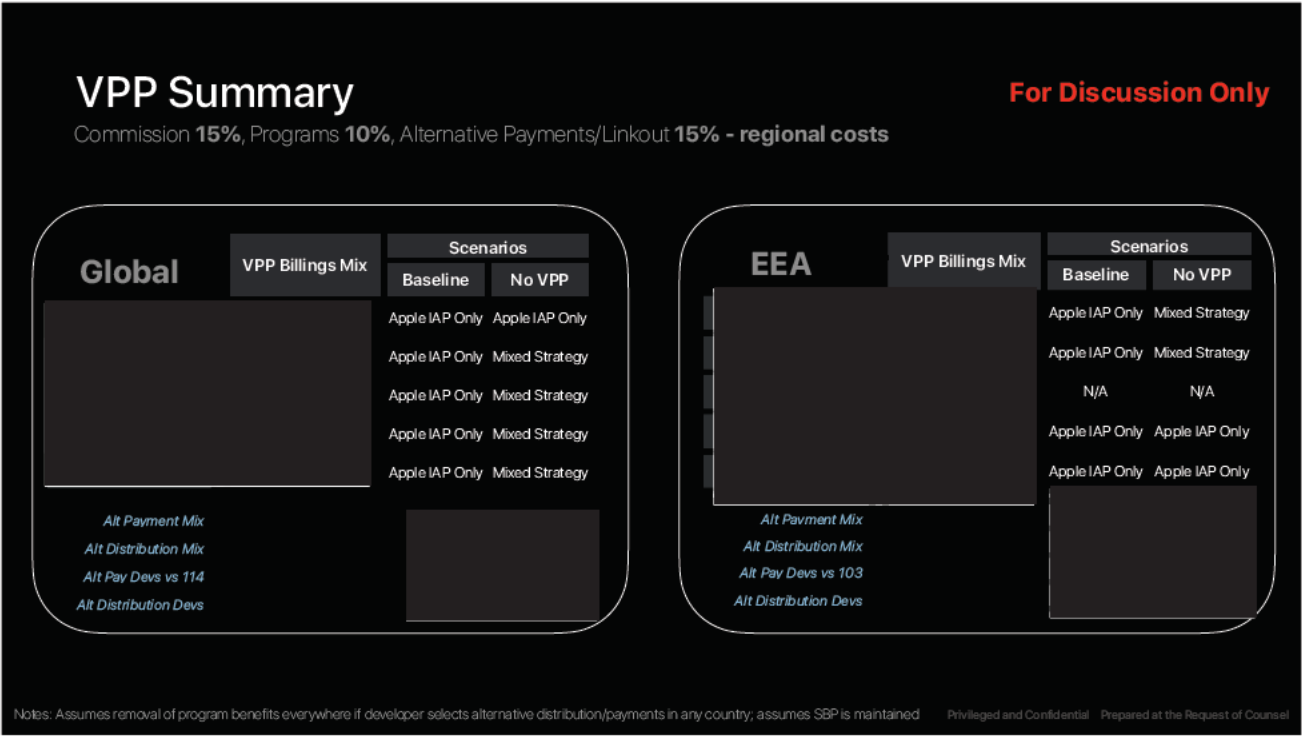
Notes: Assumes removal of program benefits everywhere if developer selects alternative distribution/payments in any country

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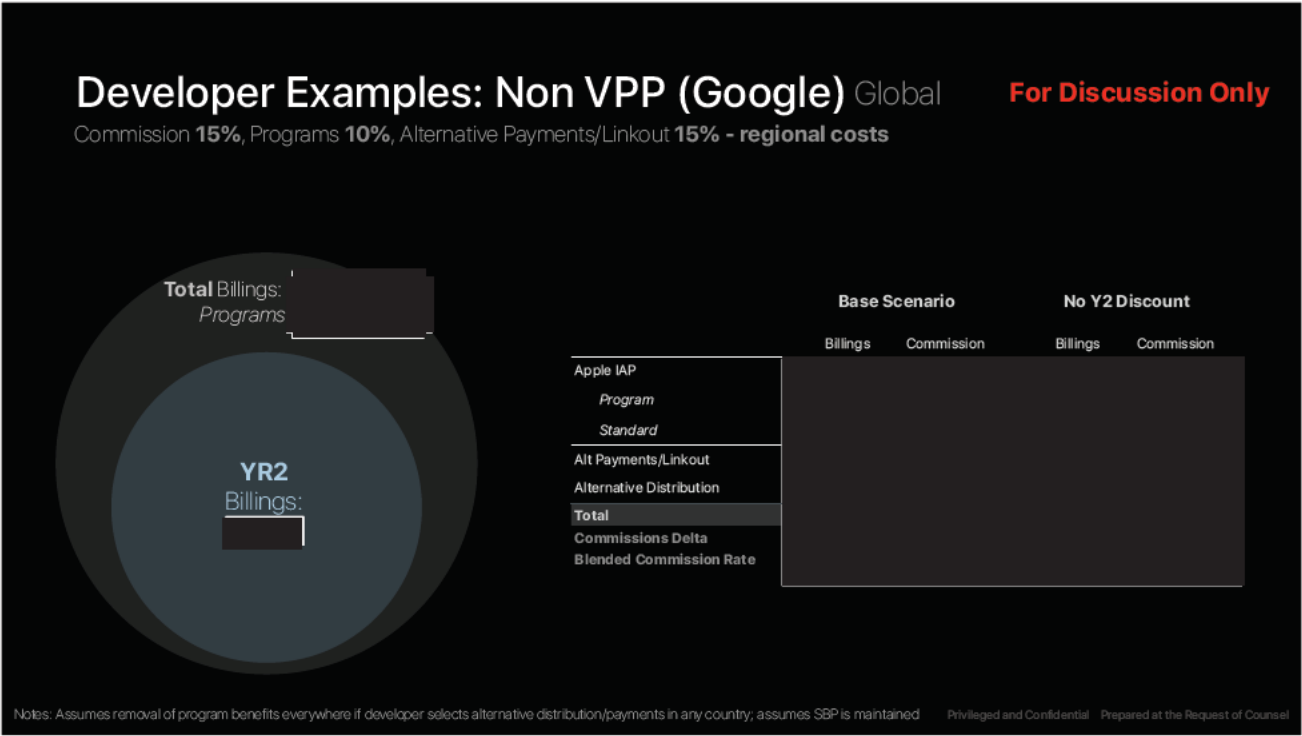
If we look at another scenario (where a developer has a much larger % of billings under programs), the developer will need to drive a much larger % of billings through alternative distribution in order to breakeven from a cost perspective. So for a developer link this, apple IAP usually looks more optimal. This illustrates the point that these programs can act as key tools to retain some developers exclusively on Apple IAP. In the next few slides we will get into examples of specific developers and how their decisioning plays out....



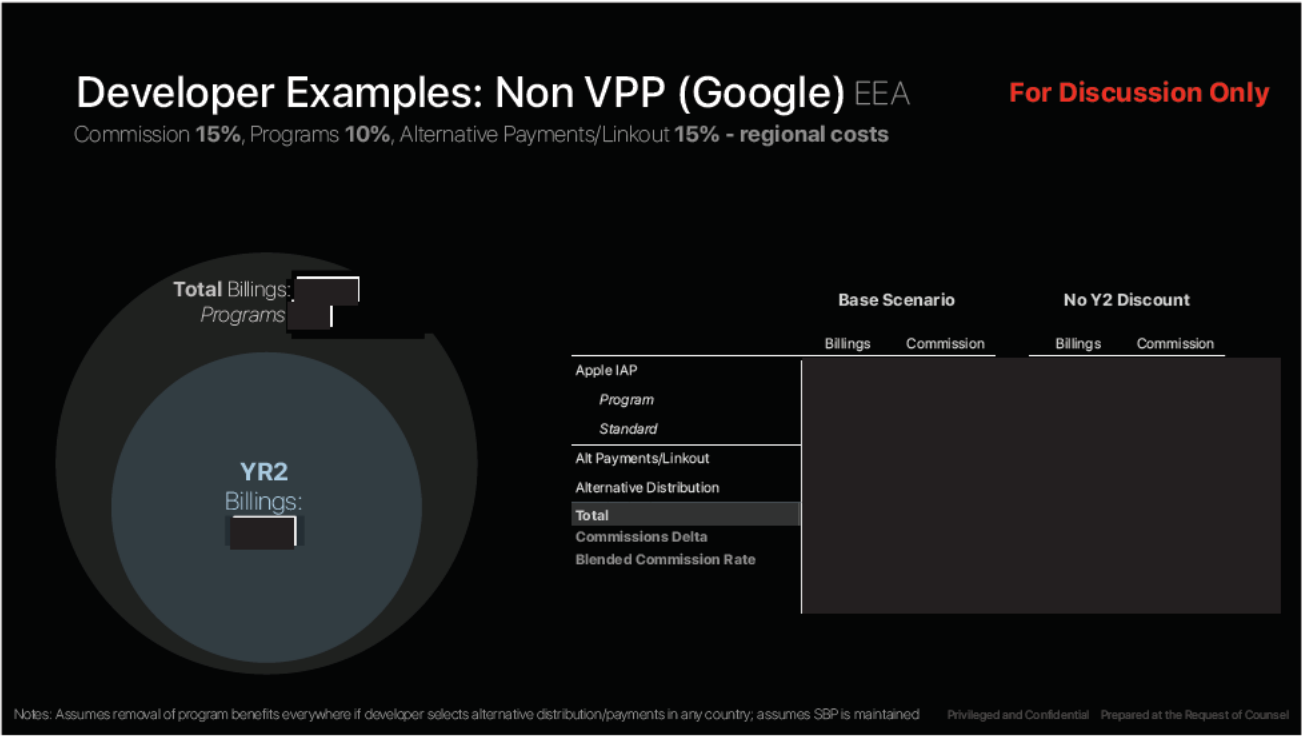




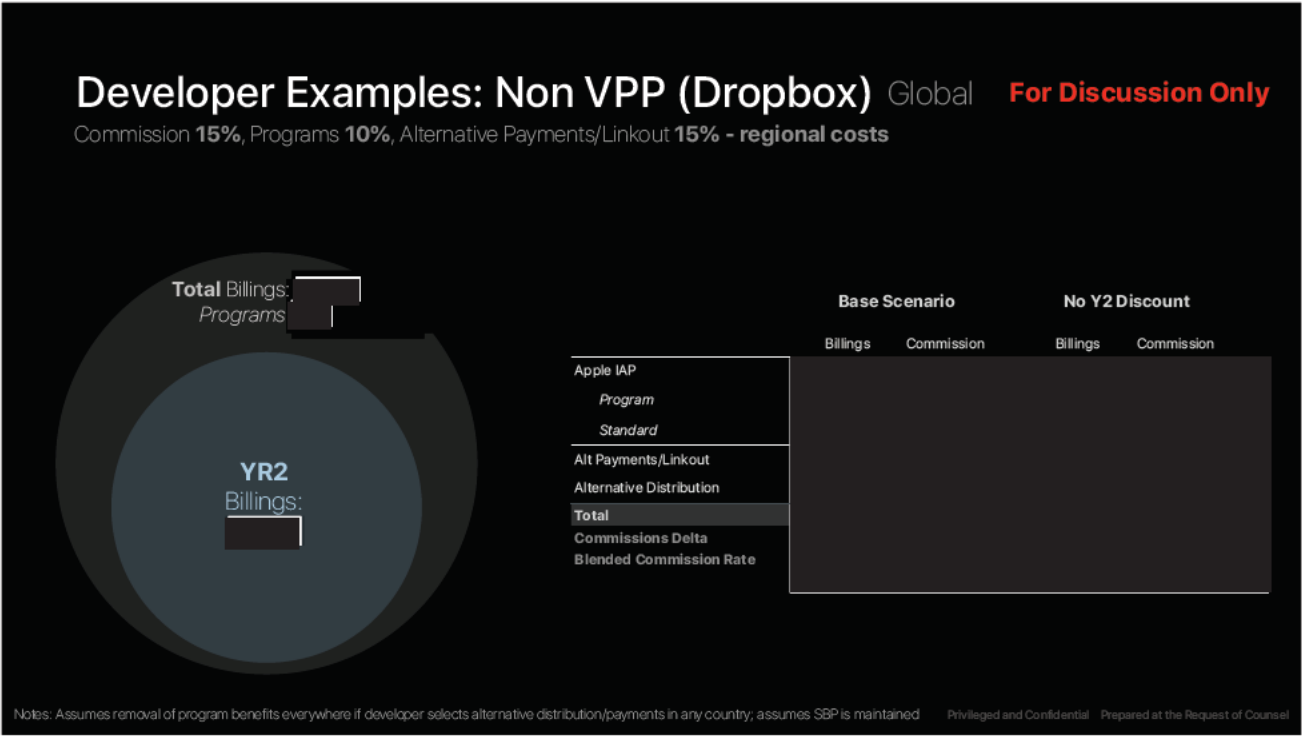
Here we have a summary view of the overall impacts on VPP developers. We are looking at the top 5 VPP developers WW and their respective decisions globally and in the EEA. The main takeaway here is that for the majority of the large developers, the VPP is acting as a retention tool, where we see more developers also pursuing mixed strategies in a no VPP world. Even though the absolute numbers of developers choosing mixed strategies is somewhat low, it accounts for some of the largest partners. In the case of the global view, the amount of billings going through alternative payments/distribution doubles when you remove VPP, and in the EEA it nearly triples.



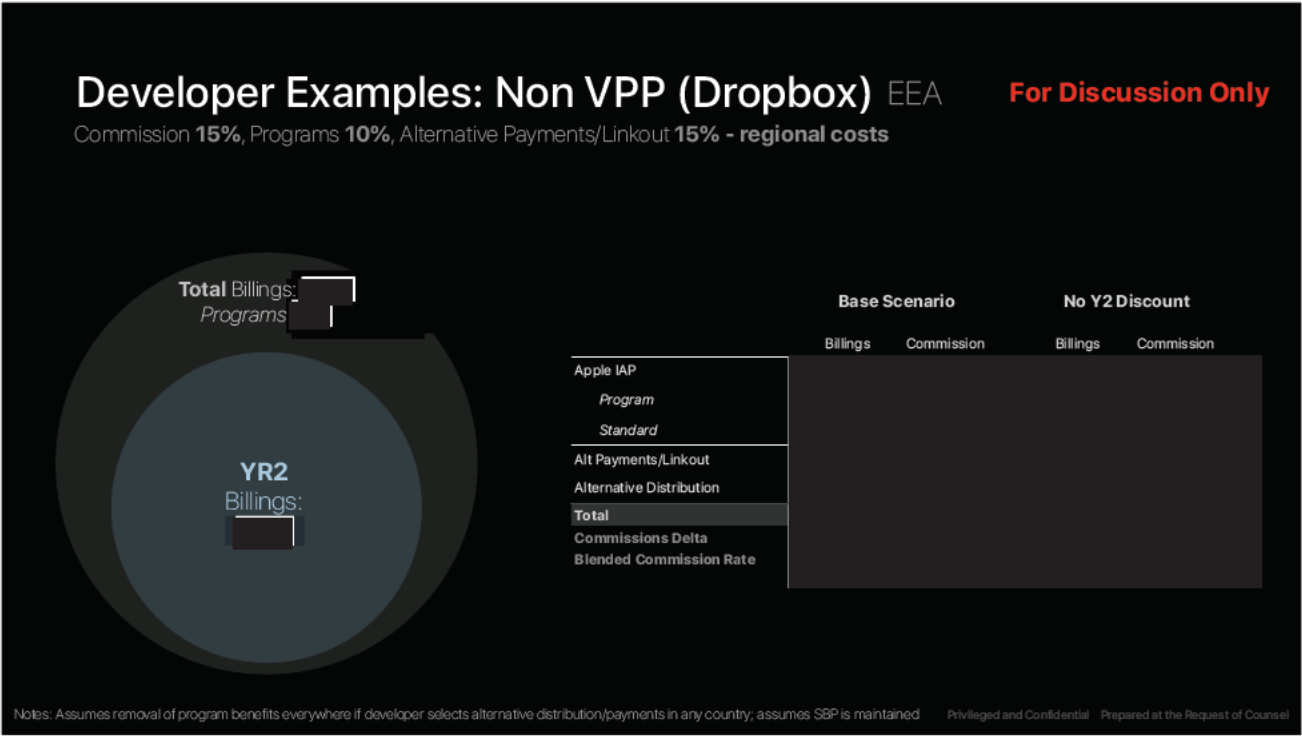
We also looked at some examples of Non VPP developers.



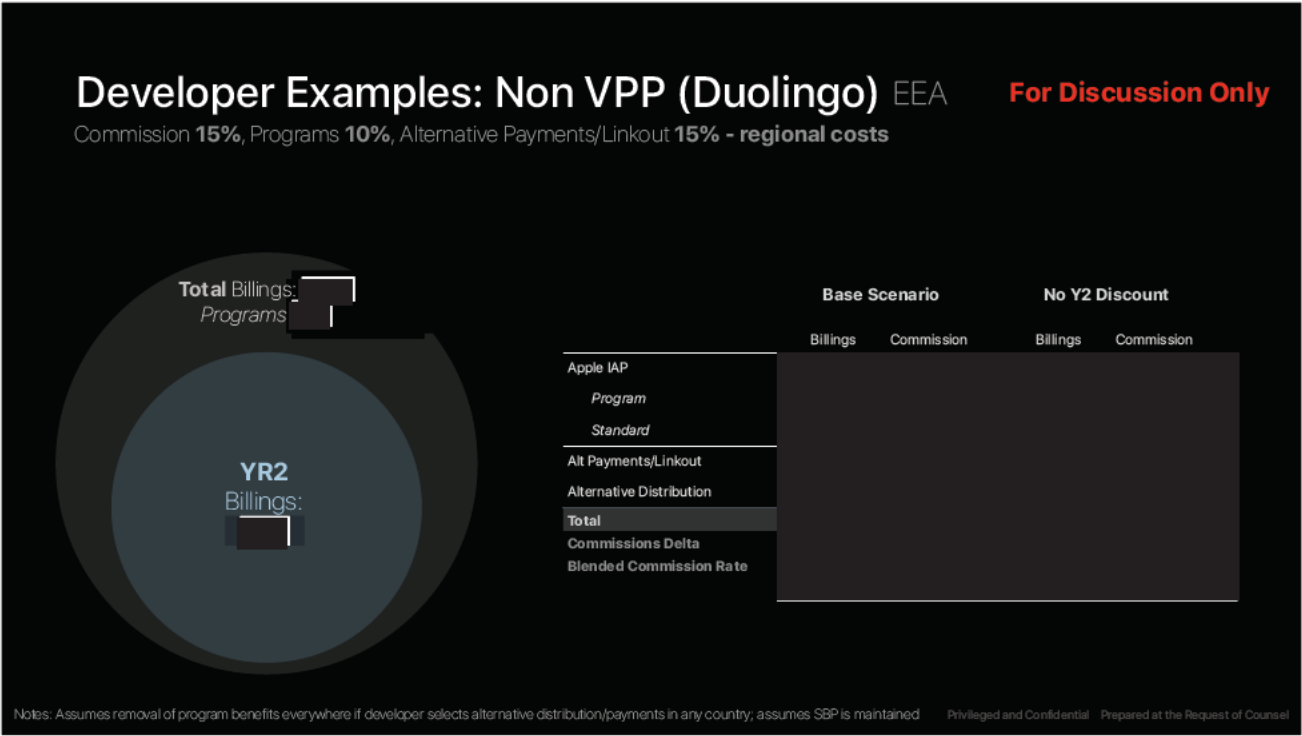
For Google, we see [REDACTED] in the EEA, as [REDACTED]

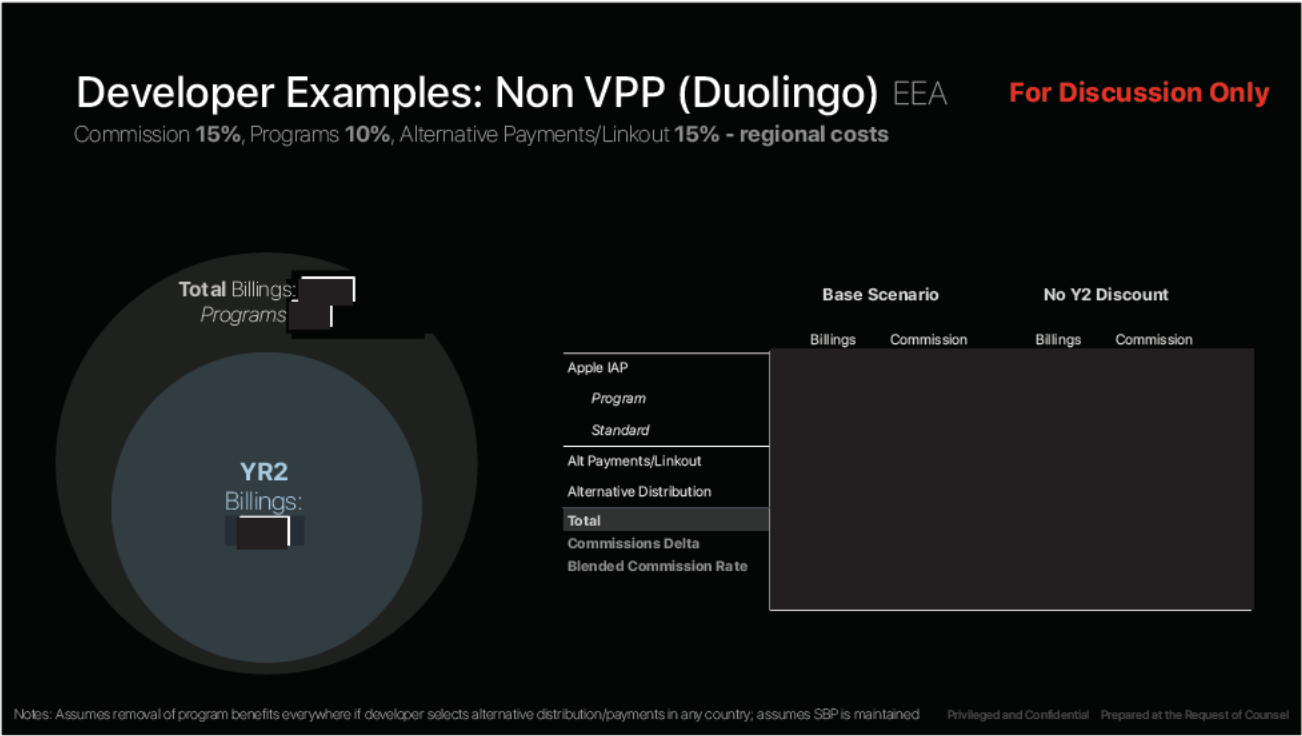


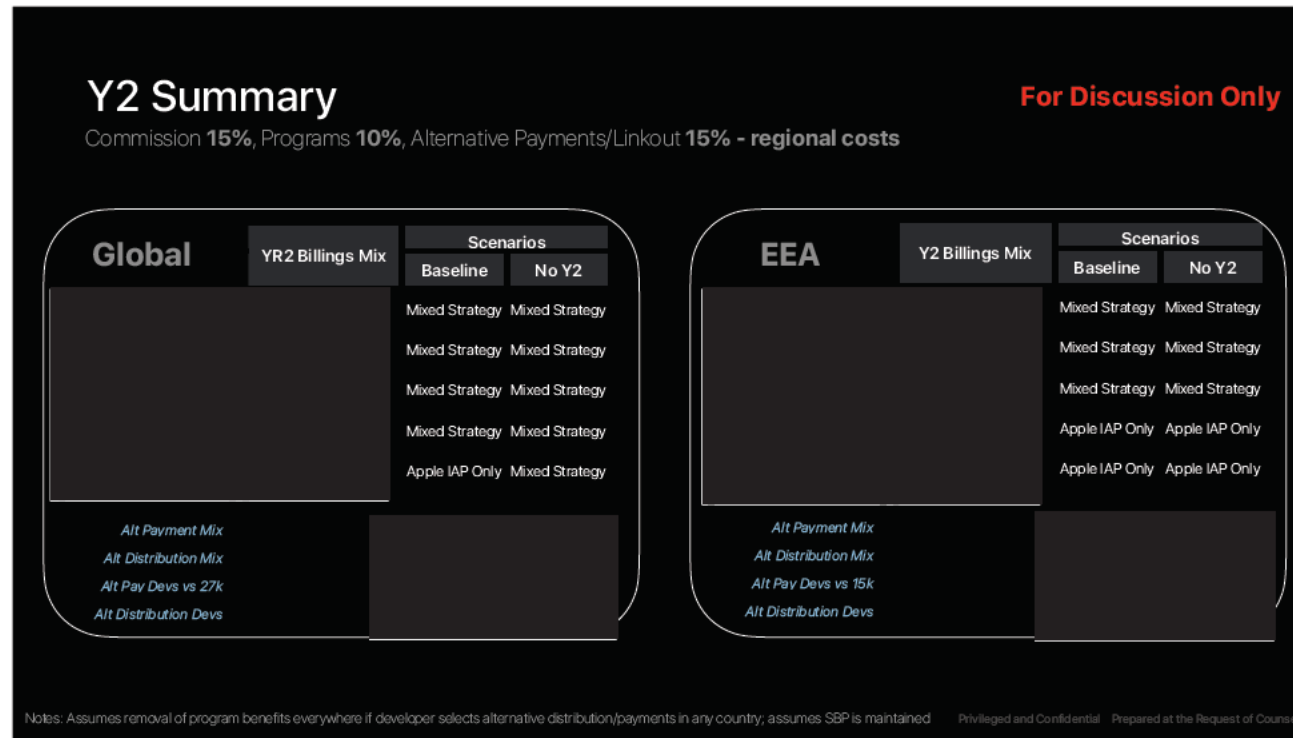
Dropbox, which has a lager % of billings under program has



Again, for







Here we can see the summary for our top developers benefiting from Y2 tenure benefits. Notably, we see less retention effects for large developers relative to VPP, with a majority of the top devs choosing a mixed strategy from the start. Overall there is still a jump in billings going through alternative distribution when programs are removed. You can also see that the magnitude of developers is much greater than VPP because Y2 benefits are generally available while VPP is more narrow/gated.



Now we have an overall summary of the financial impact to Apple in these scenarios. For both global and EEA, the financial impact is negligibly positive [REDACTED] in each scenario, but we see higher rates of developers employing mixed strategies as we remove program benefits.

Recommendations

For Discussion Only

Maintain Small Business Program

- Great for small developers
- Financially minimal to Apple
- Legal considerations (Cameron settlement in US)

Maintain All Other Programs (VPP/NPP/Tenured Subscriptions)

- Financially minimal impact to Apple
- Improve customer experience
- Serves as a key tool for Apple IAP retention
- Critical to maintain Apple IAP as the preferred medium for new app launches and market expansion

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As discussed, the SBP is financially minimal to apple, is great for small dev relations, and legal considerations. For the larger programs, we found that overall, keeping them was financially negligible to apple. They also help maintain good customer experiences (given the requirements of the VPP/NPP) and help retain some developers on exclusively apple IAP (especially for some of our large Video partners). We saw that the VPP is a key tool for developers who are pursuing growth and acquisition as this helps lower their costs of new subscribers. Removing it risks disincentivizing these developers from remaining solely on Apple IAP. Given this, our recommendation overall would be to retain the current programs structure under the new business model.

Open Questions

For Discussion Only

Reassess Program eligibility / Requirements?

Mixed Strategy results in loss of program benefits at storefront level or WW?

Increased Platform Fee threshold for Programs?

Include non monetizing developers under SBP?

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Lastly, this new business model also provides us with an opportunity to overhaul and expand our programs. With regards to that we have a few open questions that we want to table for discussion....



Lastly we have an overall summary of the financial impact to Apple in these scenarios. On a global scale, the impact is negligibly positive [REDACTED], while in EEA, it is actually materially negative

For Discussion Only

Gov't Orgs, Non-Profits, and State-Owned Enterprises

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Impact of Gov't, Non-Profit, SOE exclusions

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront
Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

For Discussion Only

	EEA only	Global
Gov't Orgs <small>(Excluded in current model)</small>		
Non-Profits <small>(Excluded in current model)</small>		
SOEs <small>(<u>Not</u> excluded in current model)</small>		
Total		

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Top Gov't Orgs by FAIs - WW

For Discussion Only

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront

Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

Group Developer	Top storefront	Total FAIs	FAIs above threshold	Fees if not excluded

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Top Non-Profits by FAIs - WW

For Discussion Only

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront

Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

Group Developer	Top storefront	Total FAIs	FAIs above threshold	Fees if not excluded

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Top SOEs by FAIs - WW

For Discussion Only

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront

Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

Group Developer	Top storefront	Total FAIs	FAIs above threshold	Fees if not excluded

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Top Gov't Orgs by FAIs - EEA

For Discussion Only

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront

Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

Group Developer	Top EEA storefront	Total FAIs	FAIs above threshold	Fees if not excluded

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Top SOEs by FAIs - EEA

For Discussion Only

Platform fee: \$0.25 per First Annual Install, no fee for first 1M First Annual Installs per storefront

Based on manual classification of Top 1,000 non-monetising developers by global FAI volume

Group Developer	Top EEA storefront	Total FAIs	FAIs above threshold	Fees if not excluded

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